



While countless Marylanders enjoy beautiful Deep Creek Lake, Baltimore's vibrant historic, entertainment and recreational offerings or relax on the

sunny beaches at Ocean City, my office is busy getting ready for the annual *Shop Maryland Tax-Free Week* – seven days in mid-August that offer consumers the opportunity to get great deals on qualifying items at Maryland shops and stores without paying the state's 6 percent sales tax.


This year's tax-free week is set for Sunday, August 10, to Saturday, August 16. Clothing and footwear priced at \$100 or less are eligible for the exemption.

This is good news for families who need to stock up on back-to-school clothing and shoes for their children as well as for any Marylander who needs to freshen up his or her wardrobe.

*Shop Maryland Tax-Free Week* also gives a boost to local retailers. Working with our partners at the Maryland Retailers Association, we are actively alerting the business community about this great opportunity to generate sales as summer reaches its peak. Look for promotional materials in area malls, at toll plazas and on buses throughout Maryland.

To find out more about *Shop Maryland Tax Free Week*, including a detailed list of covered items, visit my agency's website at [www.marylandtaxes.com](http://www.marylandtaxes.com), call 1-800-MD-TAXES or 1-410-260-7980 from central Maryland, or e-mail [shopmaryland@comp.state.md.us](mailto:shopmaryland@comp.state.md.us).

Enjoy the rest of your summer and I look forward to hearing from you!

  
Peter Franchot  
Comptroller of Maryland

## Starting Schools After Labor Day Good For Economy, Families

*The Task Force to Study a Post-Labor Day Start Date for Maryland Public Schools sent an 11-4 recommendation to Gov. Martin O'Malley in late May to start public schools after Labor Day.*

Comptroller Franchot has strongly advocated for a later school start, citing among other reasons, a state Bureau of Revenue Estimates report from last August that found the move could generate \$74.3 million in direct economic activity throughout the state, including \$3.7 million in new wages and a separate \$7.7 million in state and local revenue. *Continued on Page 6*

# New Tax Changes for 2014

## *The General Assembly passed the following changes affecting Maryland tax laws for 2014:*

### **SB 297 – State Board of Individual Tax Preparers – Sunset Extension and Program Evaluation**

The bill extends the termination date for the State Board of Individual Tax Preparers to July 1, 2026, and requires a preliminary evaluation of the board by December 15, 2023. By October 1, 2015 the board will submit a report to the Senate Education, Health, and Environmental Affairs Committee and the House Economic Matters Committee that (1) provides an update on the board's expenditures and special fund balance; and (2) includes any recommendations for legislative changes necessary to provide any additional authority the board needs to address complaints alleging the unregistered provision of individual tax preparation services. The bill took effect July 1, 2014.

### **Estate Tax**

#### **HB 739 – Maryland Estate Tax – Unified Credit**

The bill gradually conforms the Maryland estate tax to the value of the unified credit under the federal estate tax, thereby increasing the amount that can be excluded for Maryland estate tax purposes. The increase in the amount that can be excluded for Maryland estate tax purposes is phased over five years and is equal to (1) \$1.5 million for a decedent dying in calendar year 2015; (2) \$2.0 million for a decedent dying in calendar year 2016; (3) \$3.0 million for a decedent dying in calendar year 2017; (4) \$4.0 million for a decedent dying in calendar year 2018; and (5) the amount excluded under the federal estate tax for a decedent dying on or after January 1, 2019. The bill took effect July 1, 2014.

### **Income Tax**

#### **HB 198 – Income Tax – Earned Income Credit – Refundable Amount**

The bill expands the Maryland refundable earned income credit (REIC). The bill increases the REIC from 25% to 28% of the federal earned income credit (EIC). The bill phases in the increase over four years beginning with tax year 2015 where the credit increases from 25% to 25.5% of

the federal earned income credit minus any pre-credit state income tax. The bill increases in 2016 to 26%, in 2017 to 27%, and then becomes 28% beginning in 2018. The bill took effect July 1, 2014.

#### **HB 313 and HB 217 – Maryland Income Tax Refund – Baltimore City – Washington County – Warrants**

The bills extend the Warrant Intercept Program to Baltimore City and Washington County residents who have an outstanding warrant from Anne Arundel County, Baltimore City or Washington County.

The program authorizes any federal, state, or local government official charged with serving a criminal arrest warrant to certify to the Comptroller the existence of an outstanding warrant for an individual. The official may request the Comptroller withhold any refund to which that individual is entitled. For any individual for which a certification of an outstanding warrant is received, the Comptroller is required to withhold the individual's income tax and notify the individual of the outstanding warrant. The Comptroller may not withhold a refund if the individual is an active duty member of the U.S. Armed Forces or files a joint income tax return. The bill takes effect October 1, 2014; the Act is effective for 5 years and abrogates September 30, 2019.

#### **SB 486 – Income Tax Credit – Endow Maryland**

This bill provides a nonrefundable credit equal to 25% of a donation worth \$500 or more of cash or publicly traded securities made by the taxpayer to a "qualified permanent endowment fund" at an "eligible community foundation" that meets certain requirements. The credit may be carried forward up to five years or until the full amount of the credit is used, whichever is sooner.

To claim the credit, a taxpayer must apply to the Department Housing and Community Development for a credit certificate. On or before January 31 of each year, the

department must provide a list of approved credits from the prior tax year to the Comptroller. For any taxable year, the amount of each tax credit certificate may not exceed \$50,000. For each taxable year, the department must reserve at least 10% of the available credits for donations of \$30,000 or less.

This bill also provides an addition modification under Tax-General Article §§ 10-204(l) and 10-305(d)(6) equal to the amount of any deduction taken for a donation to the extent that the donation is included in the application for the Endow Maryland Credit. The bill took effect July 1, 2014 and is applicable to all tax years beginning after December 31, 2014.

#### **HB 510 – Sustainable Communities Tax Credit Program – Extension and Alteration**

The bill extends the termination date of the Sustainable Communities Tax Credit Program through fiscal 2017. The bill establishes credit eligibility for small commercial projects that meet certain requirements.

The Maryland Historical Trust is authorized to award up to \$4 million in credits to small commercial projects. The Maryland Historical Trust may award residential tax credits through fiscal year 2017.

The bill defines “small commercial project” to mean a rehabilitation of a structure primarily used for commercial, income-producing purposes if (1) the qualified rehabilitation expenditures do not exceed \$500,000; and (2) the structure is located in a sustainable community. “Small commercial project” includes a structure that is used for both commercial and residential rental purposes; and does not include a structure that is used solely for residential purposes. The bill defines “commercial rehabilitation” not to include a small commercial project. Under the bill, a small commercial project is subject to certain credit recapture provisions.

On or before January 30, 2015, the director of the Maryland Historical Trust will report to the Comptroller on the number of tax credits and the amount of the tax credits that have expired under the Sustainable

Communities Tax Credit Program. Pursuant to the bill, the director of the Maryland Historical Trust will report to the Comptroller on the number and amount of initial credit certificates that have been revoked with regards to an approved commercial rehabilitation for which, (1) an initial credit certificate was issued by the Maryland Historical Trust on or after July 1, 2006, but on or before June 30, 2014; and (2) the applicant does not submit to the Trust within 12 months of the expiration date of the initial credit certificate a request for final certification of the rehabilitation. The bill took effect June 1, 2014.

#### **SB 570 – Income Tax Credit – Qualified Research and Development Expenses – Credit Amounts**

The bill expands the amount of research and development tax credit by increasing from \$8 million to \$9 million the aggregate amount of credits that the Department of Business and Economic Development may approve in each calendar year. The amount of basic credits and growth credits that may be awarded annually is increased from \$4 million to \$4.5 million for each credit. The bill took effect June 1, 2014, and will be applicable to all Maryland research and development tax credits certified after December 15, 2013.

#### **SB 596 and HB 923 – Income Tax Subtraction Modification – Mortgage Forgiveness Debt Relief – Extension**

These bills were cross-filed and extend the subtraction for discharge of qualified principal residence indebtedness under Tax-General Article § 10-207(y) to tax years 2014 and 2015. The amount of the subtraction equals the amount of the discharge of qualified principal residence indebtedness allowable under the Mortgage Forgiveness Debt Relief Act of 2007, as amended. The subtraction is limited to \$100,000 for an individual and \$200,000 for taxpayers who file married filing jointly, head of household, or as a surviving spouse. These bills took effect July 1, 2014 and will be applicable to all taxable years beginning after December 31, 2012 and ending before January 1, 2016 and will abrogate without further action at the end of June 30, 2016.

*Continue on Page 4*

### **SB 604 and HB 743 – Income Tax Forms – Graphical Representation of General Fund Expenditures**

The bill requires the Comptroller to include on certain income tax forms that are updated on an annual basis a demonstrative representation of how much of each dollar that the General Fund receives is spent on education, health, public safety and any other category included by the Comptroller.

The demonstrative representation may be in the form of a graph or picture or a combination of graph and picture. The Comptroller, in consultation with the Department of Budget and Management and the Department of Legislative Services, will determine the manner in which the representation will be presented and which income tax forms the representation is to be included. The Comptroller will post the representation on the Comptroller's website and include it in instructions on the website for the same income tax forms that are selected to include the representation. The bill takes effect October 1, 2014.

### **SB 600 and HB 742 – Income Tax – Regional Institution Strategic Enterprise Zone Program**

These bills were cross-filed and establish the Regional Institution Strategic Enterprise (RISE) Zone Program. The program will be administered by the Department of Business and Economic Development (DBED). To designate a RISE zone, a "qualified institution" partners with a county, municipal corporation, or the economic development agency thereof to submit an application for designation to DBED. DBED will review and approve RISE zones according to the requirements specified in these Acts. Once a RISE zone is designated, businesses operating in the zone qualify for certain property and income tax credits and priority consideration for assistance from the state's economic development and financial assistance programs.

A business entity qualifies for the income tax credit if it (1) moves into or locates in a RISE zone on or after the date that the zone is designated, or (2) is located within the zone prior to designation if the business entity makes

a significant capital investment or expansion of its labor force after a RISE Zone is designated. To claim the credit, a business entity must be certified by DBED.

To provide the RISE zone income tax credit, these bills alter the existing credit for wages paid in an enterprise zone (Tax-General Article Section 10-702) to include wages paid in a RISE zone. That section provides two credits: (1) the general income tax credit is a one-time \$1,000 credit per new employee filling a newly created position, or \$1,500 for each qualified new employee in a focus area; and (2) for economically disadvantaged employees, the credit increases to a total of \$6,000 per new employee, or \$9,000 per new employee in a focus area. These bills took effect June 1, 2014 and will be applicable to all taxable years beginning after June 30, 2013.

### **SB 630 and HB 264 – Income Tax – Subtraction Modification – Student Loan Debt**

These bills were cross-filed and create Tax-General Article § 10-207(bb), which provides a subtraction modification equal to the amount of student loan indebtedness discharged due to total and permanent disability or death. To claim the subtraction modification, a taxpayer must attach to his return a copy of the notice stating that the loans have been discharged due to total and permanent disability or death. These bills took effect July 1, 2014 and will be applicable to all taxable years beginning after December 31, 2013.

### **HB 668 – Income Tax Credit – Health Enterprise Zones – Modifications**

The bill makes changes to the existing Health Enterprise Zones income tax credits. It expands the income tax credit to include "health enterprise zone employers." That term is defined as a Health Enterprise Zone practitioner, a for-profit entity, or a nonprofit entity that employs qualified employees and provides health care services in a Health Enterprise Zone.

The bill also provides that the Department of Health and Mental Hygiene shall certify to the Comptroller the applicability of the credit provided for each employer



and the amount of credit assigned to an employer for each taxable year. The bill also provides that the department will give special consideration to applicants that are community-based and serve the overall goals of the Health Enterprise Zone that the applicant is seeking to serve. The bill took effect June 1, 2014. The bill will be applicable to all taxable years after December 31, 2012, but before January 1, 2017; it will abrogate June 30, 2017.

#### **HB 699 – Income Tax – Subtraction Modification – Unreimbursed Expenses of Foster Parents**

The bill creates a subtraction modification against the state income tax for 100% of the eligible expenses incurred by a foster or kinship parent, subject to a maximum value of \$1,500. The bill applies to tax years 2014 and beyond. Department of Social Services in a county or the Montgomery County Department of Health and Human Services must approve the expenses as necessary. The Department of Human Resources shall submit to the Comptroller a list of approved foster parents. The bill took effect July 1, 2014 and will be applicable to all taxable years beginning after December 31, 2013.

#### **SB 908 and HB 1345 – Electric Vehicles and Recharging Equipment – Rebates and Tax Credits**

The bills repeal the electric vehicle recharging equipment income tax credit and replace the credit with a rebate program administered by the Maryland Energy Administration (MEA). MEA may award an annual maximum of \$600,000 in rebates in fiscal 2015 year through 2017, with funding for these rebates provided by transfers from the Strategic Energy Investment Fund. The bill took effect July 1, 2014.

#### **SB 909 – Income tax Checkoff – Developmental Disabilities Services and Support Fund – Designation**

The bill alters the designation of the “Developmental Disabilities Waiting List Equity Fund Contribution” checkoff on the individual income tax return form to “Developmental Disabilities Services and Support Fund Contribution.” The bill took effect July 1, 2014, and will be applicable to all taxable years beginning after December 31, 2013.

#### **SB 1054 – Economic Development – Arts and Entertainment Districts – Qualifying Residing Artist**

The bill expands the definition of a qualifying residing artist for an arts and entertainment district to mean an individual who: (1) owns or rents residential real property anywhere in the state, rather than in the county where the arts and entertainment district is located; (2) conducts a business in any arts and entertainment district; and (3) derives income from the sale or performance within any arts and entertainment district of an artistic work that the individual wrote, composed, executed, either alone or with others, in any arts and entertainment district. The definition applies to the income tax subtraction modification, the property tax credit and the admissions and amusement tax exemption. The bill took effect July 1, 2014 and will be applicable to all taxable years beginning after December 31, 2013.

#### **SB 1070 and HB 1228 – Income Tax – Subtraction Modification – Volunteer Fire, Rescue, and Emergency Medical Services Members**

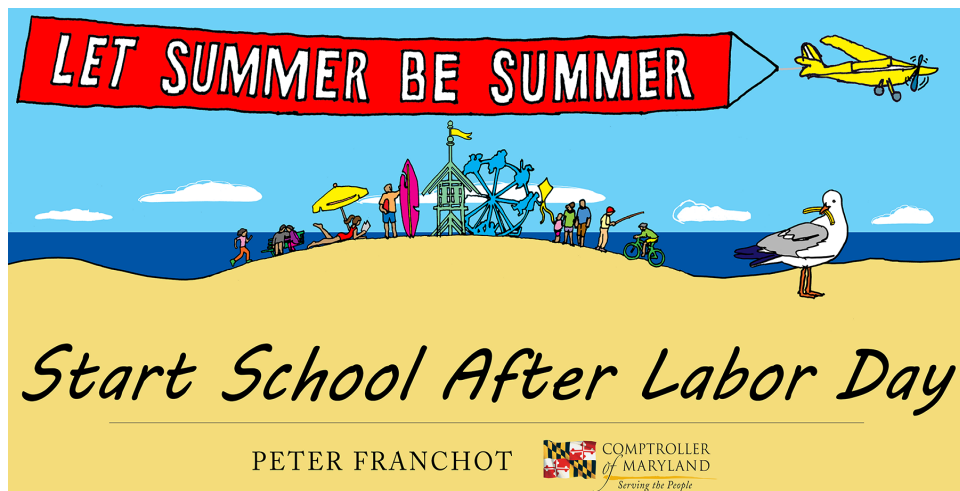
The bills increase the existing Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue, and Emergency Medical Services Personnel Subtraction Modification Program for individuals who serve in a volunteer capacity and qualify for active duty service during the tax year from \$3,500 to \$5,000 over six years. For tax year 2014, the subtraction amount is \$3,750. The amounts increase to \$4,000 for tax year 2015, \$4,250 for tax year 2016, \$4,500 for tax year 2017, \$4,750 for tax year 2018, and then becomes \$5,000 for all tax years beginning January 1, 2019. The bill took effect July 1, 2014.

#### **SB 172 – Budget Reconciliation and Financing Act of 2014**

This bill, in relevant part, provides that the interest rate for income tax refunds that the Comptroller must pay as a result of a final decision in *Comptroller v. Wynne* is the average prime rate during fiscal year 2015 rounded to the nearest whole number.

This bill applies only to income tax refunds attributable to taxable years beginning after December 31, 2005 but before January 1, 2015. The bill takes effect June 1, 2014.


## Starting Schools After Labor Day Good For Economy, Families



*Campaign for Start School After Labor Day*

The study found that 8.5 percent of 514,680 affected families – those with school age children – would take either a new day trip or a new overnight trip to one of Maryland's three top destinations – Baltimore City, Deep Creek Lake or Ocean City. Another 5.2 percent would take a new out-of-state day or overnight trip and the remaining families would devote at least one more day to a family recreational activity close to home. Earlier this year, Worcester County Public Schools voted to start school on Sept. 2, the day after Labor Day, which the Comptroller praised.

"We're one step closer to having schools statewide start the day after Labor Day, and that's a good thing," Franchot said in an interview with *The Baltimore Sun*. "We've come a long way in the last year. There seems to be some real traction for it. I believe it's possible to start school after Labor Day and still be done by mid-June."

While a significant impact would be felt within the tourism destinations, the larger and broader effect is attributable to families engaging in at-home activities which they could not have otherwise enjoyed, or family recreational activities, the report found. To read more about Starting School After Labor Day visit [www.marylandtaxes.com](http://www.marylandtaxes.com). 

## Six Percent Discount for Seven Days, Shop Maryland Tax-Free Week

*This year's tax-free period on clothing and footwear will begin Sunday, August 10, and conclude Saturday, August 16. During this period, the sales and use tax does not apply to the sale of any items of clothing or footwear, excluding accessory items, if the price of the item of clothing or footwear is \$100 or less.*

Accessory items including jewelry, watches, watchbands, handbags, handkerchiefs, umbrellas, scarves, ties, headbands, and belt buckles are not exempt from the tax during this period.

Each year, there are two sales tax-free periods. During the summer, from the second Sunday in August through the following Saturday, the purchase of certain clothing and footwear is exempt from state sales tax.



*Promotion for Shop Maryland Tax-Free Week*

In the winter, the Saturday before the third Monday of February through that Monday, the purchase of certain Energy Star products or solar water heaters is exempt from state sales tax. During the most recent legislative session, House Bill 786 – Sales and Use Tax – Tax-Free Weekend, added an exemption for light-emitting diodes (LED) lights through 2017. Read more about *Shop Maryland* tax-free weeks on [www.marylandtaxes.com](http://www.marylandtaxes.com). 

## New Convenient Downtown Cumberland Branch Office Location

The Comptroller's Cumberland branch office has moved to its new location at the Allegany Museum, 3 Pershing Street, in downtown Cumberland. The new office opened July 1.

In April, the Board of Public Works approved a new lease to make the move possible. The Comptroller's Office worked closely with the Department of General Services to find a location that was accessible, convenient and offered plenty of parking.

"Our Cumberland office is very important to the city, Allegany County and the entire Western Maryland region," the Comptroller said in describing why the process was important to him personally. "I wanted a space that was visibly prominent, offered easy and convenient parking and most importantly, continued to be a part of the downtown Cumberland business and retail community. We provide a broad range of services for taxpayers in an area that's

convenient so they do not have to travel hours away from home and work to our primary offices in Baltimore and Annapolis."

The office was previously located on Baltimore Street. With the new lease agreement, the Comptroller's Office has committed to the location on Pershing Street for the next 10 years. 




*New location for Cumberland branch office is more convenient for taxpayers.*

## Comptroller Delivers Last Maryland Masters Awards in Worcester

After announcing the new Maryland Masters Award (MMA) program last summer, Comptroller Franchot presented the final MMA this year to three students in Worcester County in May.

Concluding his eight-month tour, the Comptroller honored Kamau N'Dirangu a third grader at Cedar Chapel Special School; Meghan Hall, a sixth grader at Berlin Intermediate School; and Miki Katna, a senior at Stephen Decatur High School. The Comptroller began awarding the honors in October of 2013 to recognize young students who have displayed extraordinary artistic skills and a vision for Maryland's future. Award recipients were selected by school


superintendents from participating counties with one winner designated at the elementary, middle and high school levels. Each student's art was displayed for two months in the Comptroller's Office in Annapolis. "Throughout history, a thriving economy and a vibrant arts community have, more often than not, been intertwined. Undoubtedly, Maryland's potential lies in the ability to cultivate the creative spirit of our young people and to inspire them to embrace the diversity and beauty of their surroundings," said Comptroller Franchot. The recipients of the Maryland Masters award included 55 students from 19 jurisdictions from across Maryland. A list of the winners is available at [www.marylandtaxes.com](http://www.marylandtaxes.com). 

## Call Center to be Monitored for Quality Assurance

During the recent legislative session, Senate Bill 95 – Comptroller – Monitoring and Recording of Telephone Calls – Training, Quality Assurance and Employee Safety, was passed.

In an effort to further improve the Comptroller of Maryland's nationally recognized commitment to customer service, the bill allows incoming telephone calls to the agency's call center to be monitored for training, quality assurance and employee safety purposes.

All callers will receive a notice that their call is being recorded. Calls may not be retained longer than 60 days unless they are only used as a positive example for training purposes or the caller has made a personal and imminent threat against an employee or property of the state.

Recorded calls will not be used in any criminal or civil case unless the caller makes a personal and imminent threat against an employee or property of the state. The bill took effect July 1, 2014. 

## Important Maryland Tax Phone Numbers

**Taxpayer Service:** Call **410-260-7980** from Central Maryland or **1-800-638-2937** from elsewhere.

**Central Registration Unit:** For help in completing the Combined Registration Application, call **410-260-7980** from Central Maryland or **1-800-638-2937** from elsewhere. You can also fax your completed application to **410-260-7908** or complete and file the application online at **[www.marylandtaxes.com](http://www.marylandtaxes.com)**.

**Refund Unit, Compliance Division:** For information about sales and use tax, admissions and amusement tax and tire fee refunds, call **410-767-1530**.

**License Bureau, Investigative Services Unit:** To determine if special licenses are required, call **410-260-6240** or toll-free **1-866-239-9359**. Send e-mail inquiries to [slb@comp.state.md.us](mailto:slb@comp.state.md.us).

**No Tax Due?** If you have no tax due for the filing period, you may telefile your business tax return at **410-260-7225**. You can also file your business tax return electronically, using bFile.

**Visit the agency's website [www.marylandtaxes.com](http://www.marylandtaxes.com) to:**

*file business taxes electronically, using bFile; pay existing income and business tax liabilities online, using BillPay; register business tax accounts online; verify sales tax exemption certificates online; and use other online services.*

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